



JOSEPH R. BIDEN, III
ATTORNEY GENERAL

DEPARTMENT OF JUSTICE
820 NORTH FRENCH STREET
WILMINGTON, DELAWARE 19801

CONTACT JASON MILLER
PUBLIC INFORMATION OFFICER
PHONE (302) 577-8949
CELL (302) 893-8939
Jason.Miller@state.de.us

Media Release

January 6, 2009

DELAWARE URGES CONGRESS TO PROTECT HOMEOWNERS FROM FORECLOSURE

Wilmington – Today, the Delaware Department of Justice called on the US Congress to amend the U.S. Bankruptcy Code to permit federal Bankruptcy Courts to protect families from foreclosure. In a letter sent to House and Senate Leadership the Attorneys General of 22 states and the District of Columbia report that, despite efforts by state and federal government regulators to encourage voluntary mortgage loan modifications and avoid unnecessary foreclosures, further action must be taken.

“This amendment to the federal Bankruptcy Code will benefit all taxpayers by reducing the number of foreclosures and attacking a major component of the current economic downturn,” stated Timothy Mullaney, Director of the Delaware Department of Justice Fraud and Consumer Protection Division. “It will help families remain in their homes and provide a stabilizing force to our economy.”

Under the amendment urged by the Attorneys General, if a federal Bankruptcy Court ordered a loan modification, the homeowner would be required to pay the loan based on the current secured value of the home and the mortgage holder may be required to absorb the unsecured portion of debt that exceeds the value of the home. As a result, homeowners with regular income would retain their home while paying the modified mortgage. The mortgage holder receives a steady stream of income while avoiding the losses and expenses incident to a foreclosure sale.

Today’s letter notes that the bankruptcy system is well-equipped to handle this crisis. With bankruptcy judges experienced in valuing property, no new agency, regulations, or personnel are needed to implement the amendment. The proposal could take effect immediately and at no cost to taxpayers. Moreover, the Attorneys General do not anticipate an increase in bankruptcy filings by passing such an amendment; instead they believe such a measure would likely motivate mortgage servicers and secondary market investors to secure sustainable loan modifications.

###